

Adaptive Reuse and Development of Government Facilities

1 Introduction

The adaptive reuse of Department of Public Health and Social Services property in Mangilao and Guam Memorial Hospital property in Tamuning are initiatives the Government of Guam should consider in order to meet public need for GovGuam and community facilities. The current fiscal conditions of the local government, along with economic realities and the availability of private investment and federal assistance, provide ideal circumstances for such initiatives.

The COVID-19 (COVID) pandemic has become the primary economic challenge for many states and jurisdictions since 2021. States like Hawaii, Nevada, Florida, and California, as well as island territories, that rely heavily on tourism to support local business activity, employment, and government tax revenue were notably impacted by pandemic-driven travel restrictions. In Guam, the impacts of the pandemic extended far beyond what could be considered economic challenges. COVID was and continues to be an historic disaster for the territory. Previous health emergencies that came out of Asia, like SARS, resulted in a 20% decline in the local economy. However, the COVID pandemic all but eliminated tourism, with visitor arrivals decreasing over 90% in some categories. Local companies that have endured decades of typhoons, earthquakes, and other natural disasters could not sustain operations during the pandemic, even with federal assistance. Popular local restaurants and other establishments that are heavily supported by both visitors and residents closed with no plans of re-opening. The total impact of COVID on the local economy continues to rise, while experts have predicted a return to pre-COVID figures could take longer than a decade.

Historically, the Government of Guam has struggled to collect enough tax revenue to provide adequate facilities and programs to support the demands of the Guam residents. The outlook for the local economy and the government's fiscal position may seem dire, but financial opportunities do exist. Ongoing federal assistance to help Guam recover from COVID's fiscal impacts, the Department of Defense's potential ongoing economic adjustments to support the buildup of military personnel and operations on the island, and the Biden Administration's unparalleled funding of social and environmental issues provide significant opportunities for Guam to recover financially and even enhance its capacity to support the community to beyond pre-pandemic levels.

For some public programs like social services, housing, health care, and energy, there are funding opportunities that were not available under previous administrations that can be utilized to enhance capacity for helping the underserved.

2 Background

Long before the COVID pandemic, the Government of Guam struggled with limited resources to serve a low-income community in dire need of public assistance for health, housing, and economic opportunities. Due to the island's heavy reliance on tourism from Asia, it is likely that Guam was the most economically impacted community in the United States. Although the territory has been a strategic military location since World War II, spending related to military activities has never equaled tourism spending — in volume or social impact. A rise in tensions between the U.S. and Asian countries like China and North Korea have often resulted in the cancellation of tourist reservations, further challenging the island's primary economic industry. The lack of economic diversity and high cost of living on a remote island has always been challenging for the government in its efforts to provide a generally low-income population with adequate social, health, and economic assistance. The Department of Public Health and Social Services (DPHSS) and Guam Memorial Hospital (GMH) were already struggling to meet the needs of the residents with the limited financial resources they are provided. The collapse of the tourism industry during the pandemic only exacerbated this situation.

2.1 Government of Guam Facility Conditions

The GMH facility in Tamuning and the DPHSS facility in Mangilao are in poor physical condition due to inconsistent and/or non-existent funding for preventative maintenance and capital improvement. The Tamuning property will be vacant once the Government of Guam re-locates the hospital to the Eagles Field site in Mangilao. The DPHSS facility in Mangilao is already vacant.

2.2 Government Funding for Community Facilities

Independent of the pandemic, the Government of Guam has rarely had adequate resources to develop, construct, and maintain public facilities. During the Calvo Administration (2011-2018), the Government of Guam issued municipal bonds to build tourism facilities, support local power and water needs, and pay millions of dollars in delinquent tax refunds. Although for the public supported these initiatives, the resulting debt was substantial and further limited what resources remain available for funding other operating or capital needs.

Since the Calvo Administration, community development projects have mainly been funded by a public private participation or partnership and/or federal grants that are available to the territory. Moreover, previous borrowing has minimized the government's debt capacity, as defined by law, and so opportunities to fund projects without commercial investment in public private partnerships and/or direct federal assistance. In the last decade, all schools and affordable housing that have been constructed to support community needs have been funded by private investment and federal program assistance. This fiscal condition further justifies the adaptation and reuse of the DPHSS and GMH properties through similar funding instruments.

3 Support for Adaptive reuse

3.1 Legislative Support

There are multiple examples of adaptive reuse being supported by the Guam Legislature, which is responsible for setting policy and spending priorities. In late April of 2022, Senator Amanda Shelton introduced Bill 296-36 to support reuse of the Mangilao property by transferring ownership to Guam Community College for its nursing and other allied health programs. Although the bill did not move forward for a vote, Senator Shelton and two of the bill's co-sponsors have been re-elected and currently serve in the 37th Guam Legislature. Also, the 33rd Legislature passed Bill 379-33, which authorized the Guam Economic Development Authority to lease and develop vacant government property for the construction of a One-Stop Community Resource and Wellness Center that will house the Department of Integrated Services for Individuals with Disabilities' health, housing, and employment related services, public transit offices, and a privately run autism center.

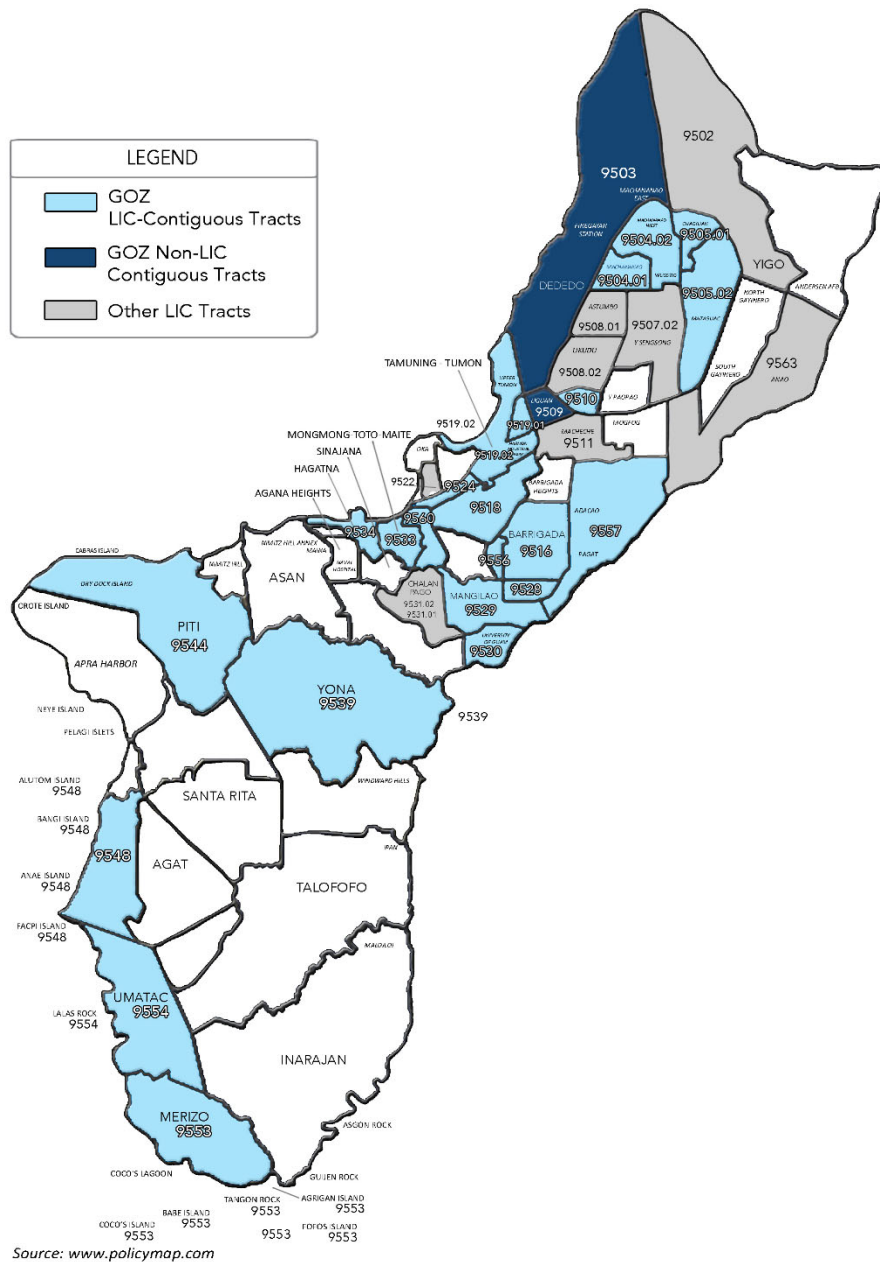
These recent actions indicate that the Legislature recognizes the limited nature of government resources, as well as the value that vacant government properties can have in meeting public needs through adaptive reuse supported by private partnerships and other funding sources.

3.2 Property Location

The Mangilao and Tamuning properties are ideally located for a variety of reuses that are vitally needed by the public. During the pandemic, homeless shelters, orphanages, health facilities, and affordable housing received much public attention due to a substantial increase in demand for such support and subsequent lack of adequate capacity. The massive layoff of thousands of workers and the shutdown of public and private offices drove up unemployment and the demand for government assistance.

Private properties and facilities were used to provide government assistance to some of the very same citizens once employed by the government. Government facilities were unable to adequately service the number of local families in need of food, shelter, COVID testing, quarantining, urgent care, and other needs.

Figure 1. Guam Economic Opportunity Zones



Source: Guam CEDS 2020 - 2025

The Tamuning and Mangilao properties are in ideal, easily accessible locations near densely populated areas. The Tamuning property’s proximity to many clinics, housing opportunities, and businesses translates into high commercial value that will facilitate funding and development. The Mangilao property is located off a major roadway in a designated Economic Opportunity Zones shown in Figure 1 with a larger and impoverished population, a context that enhances federal funding opportunities for community projects.

4 Record levels of federal support

The Government of Guam still has approximately \$260 million in American Rescue Plan funding available for government needs, while the recently passed Inflation Reduction Act and National Defense Appropriations Act provide direct funding opportunities for local initiatives that were not previously available. In addition, there has been an increase in private investments that are driven by federal tax incentives and support local development, including charter schools and community centers. Although there are still economic challenges to overcome, the current levels of financial support and private incentives make it the ideal time to adapt and reuse the Tamuning and Mangilao properties.

5 Options

Several potential uses for these facilities have surfaced by various stakeholders and government agencies. They range from reuse for GovGuam agencies allowing agencies that our leasing office space to be relocated to a GovGuam owned facility. Considering the location, reuse for medical related activities could be pursued. Another approach could be to out lease the land to developers, which would include the demolition of the existing facilities and allow the developer to provide a wide range of uses, while GovGuam would receive revenue from the ground lease.

5.1 DPHSS

The DPHSS facility was determined to be unuseable for continued and future operations of the DPHSS. The desire for a more functional and capability facility was supported. The facility was regularly looked at as GovGuam was assessing facilities requirements, needs, and growth actions. The GovGuam's goal to move all governmental activities out of lease space generated the opportunity for the DPHSS facility and site location to be considered.

Early in the review process, the Governor offered the Guam Community College the facility and site for their use.

No further assessment has occurred since that decision.

5.2 GMH

The reuse of the Guam Memorial Hospital facilities and site are contingent on the construction and operation of a New GMH facility that is proposed for the planned Guam Medical Campus at Eagles Field in Mangilao. The timing for the new GMH facility has not been determined. The new facility is expected to be completed in five to seven years. This variable in timing has an effect of potential options as the demand/requirements, cost of construction, and market conditions play a key element in the financial considerations for reuse.

In initial discussions with GovGuam agencies and the Office of the Governor, the reuse of the GMH facilities and site for GovGuam agencies is a significant desire.

Because the current GMH facilities do not meet various medical care facility standards, the infrastructure requires needs to be updated, and additional space is required, the renovation of GMH was not cost effective.

These conditions also play a role in the type of criteria that would facilitate a reuse cost effectively. Consideration for the facility to support a more administrative function is key factor in looking at options and concepts.

So far, there are a several options to be considered:

- Reuse GMH for an interim facility to house and operate DPHSS. This reuse is achievable since the majority of the DPHSS functions are administrative in nature and the functions that have some level of medical requirements could be satisfied in the medical areas of GMH. The investment for this interim use could be cost effective and this would allow time for funding and support for the future DPHSS facility to be planned and constructed on the new Medical Campus.
- Reuse GMH for the expansion requirements of Department of Behavior Health and Wellness is another option. The proximity of the current DBHW facilities would allow a consolidation of functions, workspace, parking, and operations. This could be a permanent location for DBHW precluding their relocation to the new Medical Campus.
- Reuse GMH for a long term assisted living facility. This option would provide for capacity for long term care as the aged population grows. This could be a government funded and operated facility, or a Private Public Partnership (PPP) could be developed to address both the renovation costs but also the opportunity for a contractor operated facility.
- Reuse GMH for a GovGuam consolidated administration facility. The conversion of the facility to predominately administration functions could be very cost effective. The option also assists in GovGuam’s goal of moving GovGuam agencies from leased space to GovGuam owned facilities. The revenue stream for this approach is underpinned by the amount of lease payments that are currently expended annually out of the General Funds.
- Reuse GMH for ancillary medical or medically related functions. This could be created as Private Public Partnership (PPP) development where GovGuam receives various types of rent and revenue for the facility and land or if the economical solution is to remove the GMH facilities and only lease the land for revenue.
- Reuse GMH through a developer or a PPP for any viable commercial use. Various factors need to come into play for this to have any viability. These factors are service demands, economics, cost and return on investment. Removing any restrictions currently place on the land for future use.

6 Conclusion

The GMH facility in Tamuning and the DPHSS facility in Mangilao are ideal locations for adaptive reuse that can support a variety of community needs. The Legislature has a track record for supporting reuse, while the local business community has successfully invested and executed the completion of community projects in partnership with the government. Moreover, the current environment of increased federal support through national policy and financial incentives can maximize reuse opportunities and optimize outcomes.